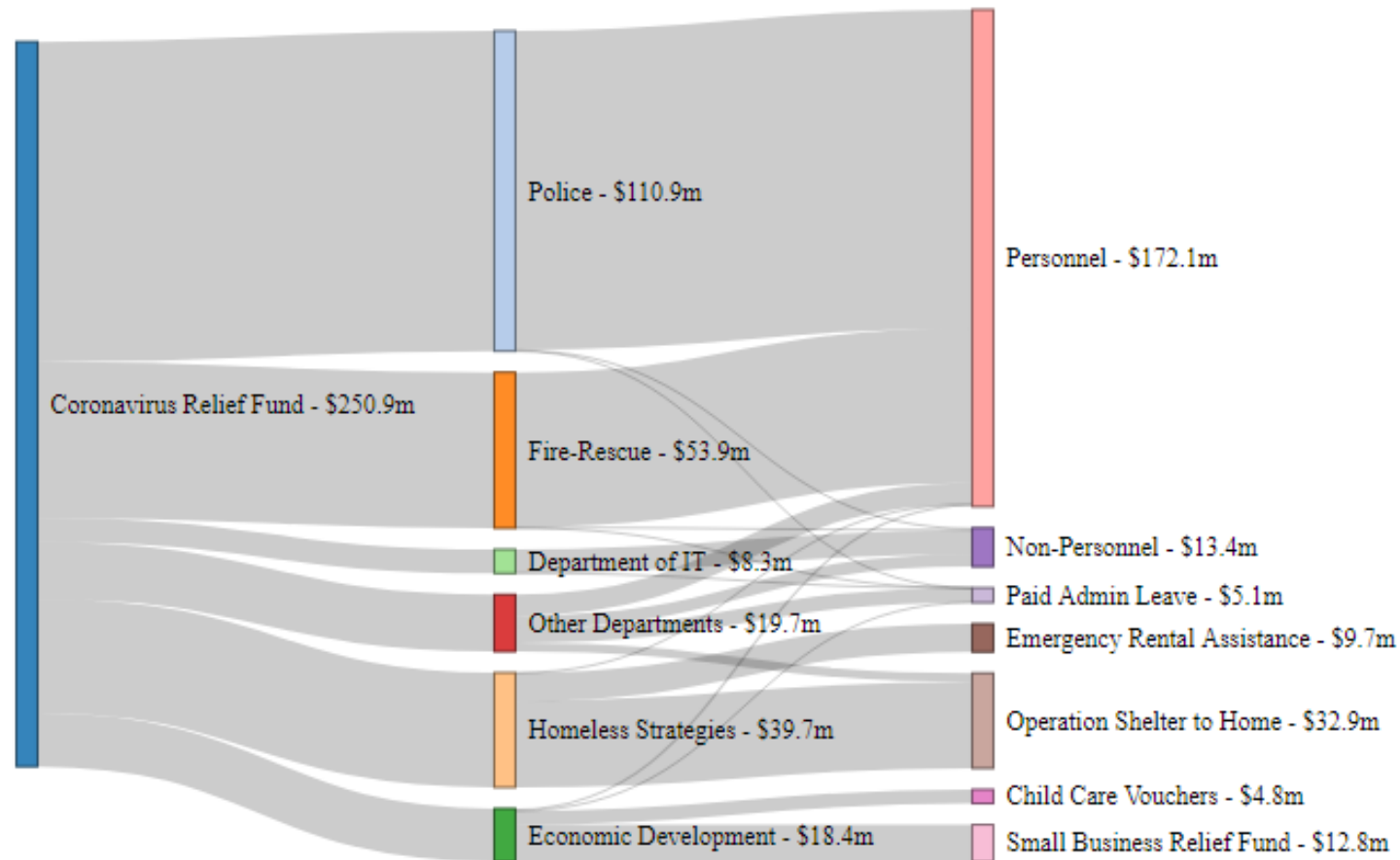


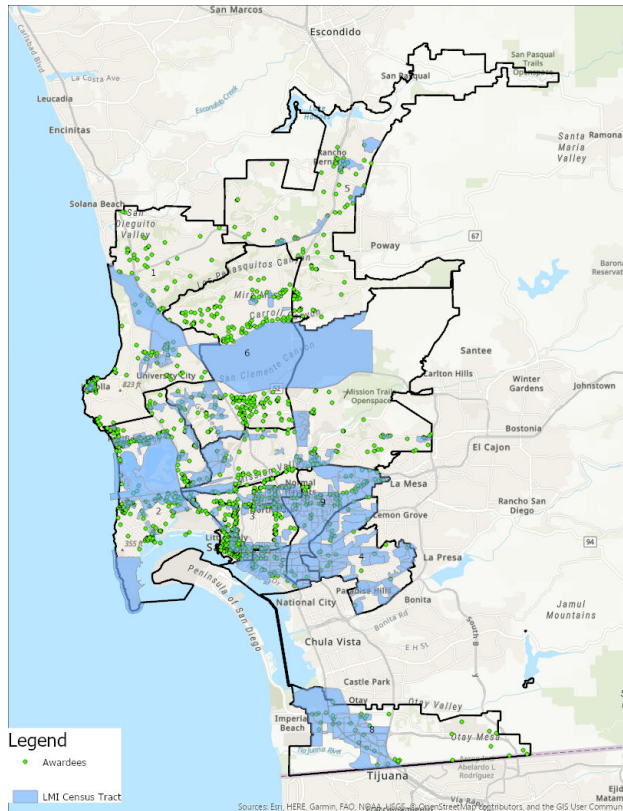
Performance Audit of the City's Use of CARES Act Funding

Presentation to the Audit Committee
July 28, 2021

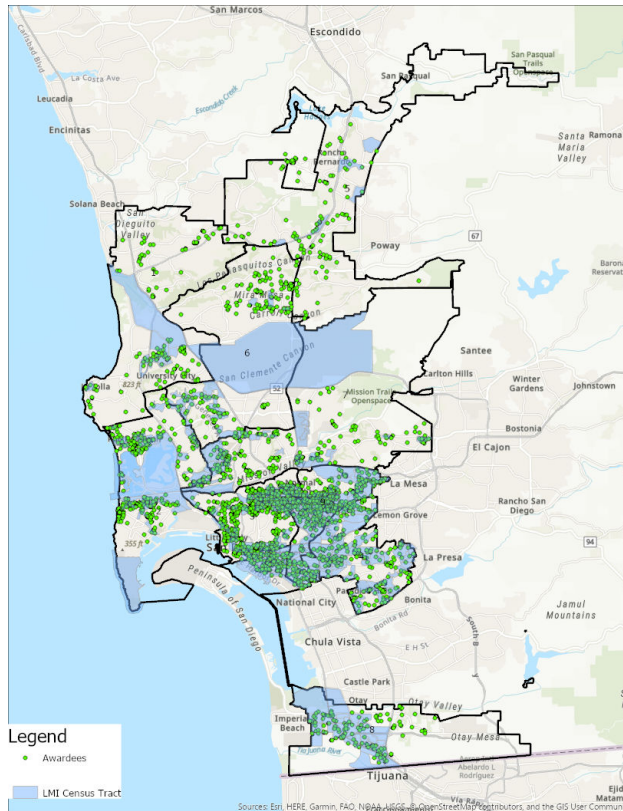
The City spent over \$250 million in CARES Act funds responding to the pandemic.



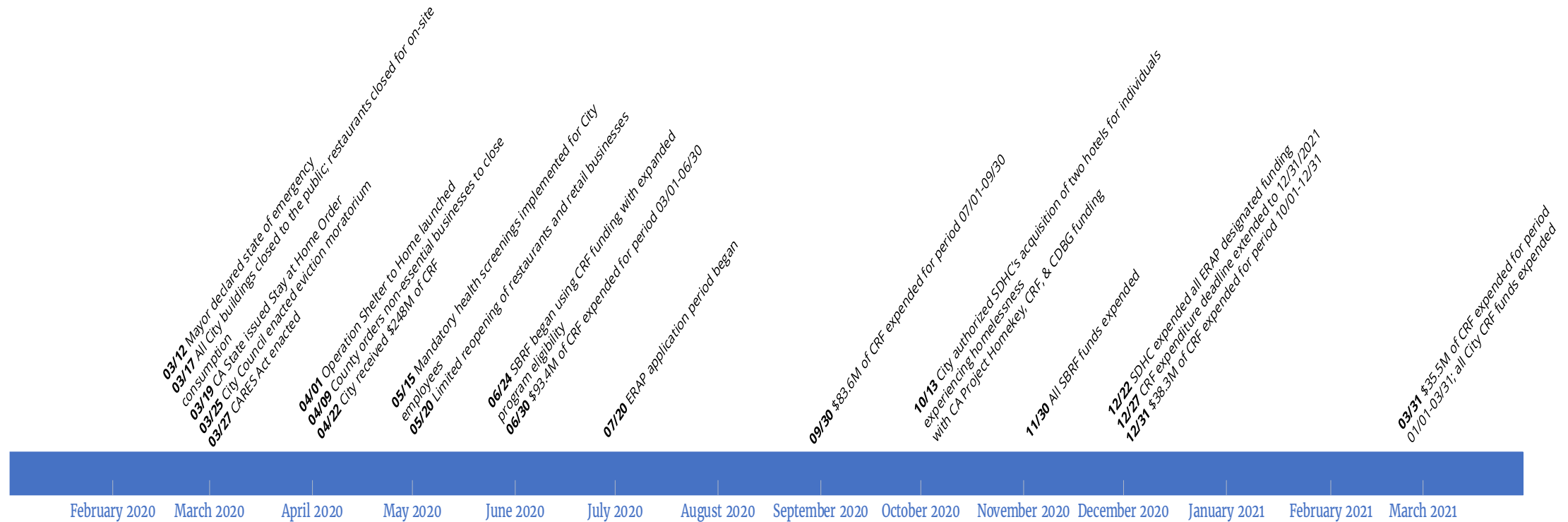
The Small Business Relief Fund provided grants to 1,857 businesses across the City.



The Emergency Rental Assistance Program assisted 3,735 households across the City.



The City needed to balance expediency and good stewardship.

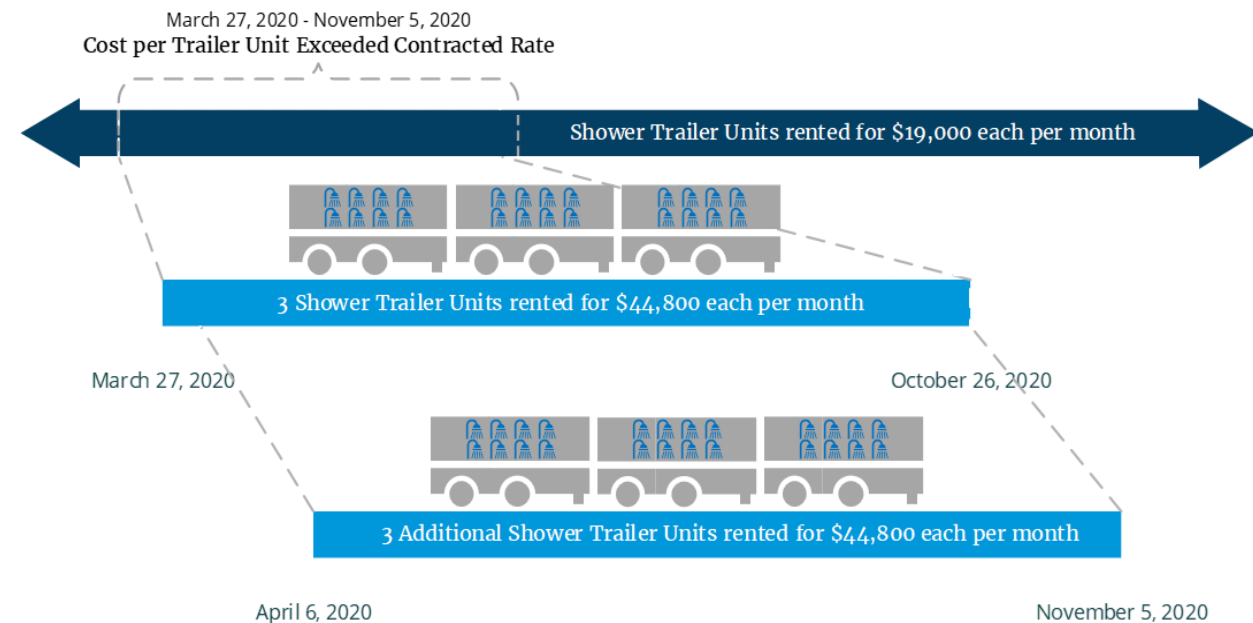


Finding 1: The City's financial management process generally followed best practice to provide reasonable assurance of compliance with CARES Act funding requirements and should be formalized.

- The City developed a sound financial management process that included a system for collecting, processing, and submitting Department of the Treasury cycle reports.
- The City of San Diego's Department of Homeland Security's Declared Disaster Operating Booklet covers cost recovery for events with the activation of the Emergency Operations Center
- A standard operating procedure or process narrative not dependent on the activation of an Emergency Operations Center would be beneficial for cost recovery of other Federal assistance awards.

Finding 2: The City significantly overpaid for portable showers, and two contracts still need to be approved by City Council.

- From March through November 2020, the vendor charged the City more than double its contracted rate.
- The City overpaid by about \$1,118,000, including more than \$721,000 that was reimbursed from the CRF.
- Additionally, two contracts—one amended to increase the contract amount the another established through emergency procurement—need to be approved by Council.



Finding 3: The City's use of paid leave may not have been consistent with CARES Act regulations.

CARES ACT LEAVE TYPE	AMOUNT
PAYMENTS IN EXCESS OF FFCRA LIMITS	\$412,301
USE OF COVID-19 ADMIN LEAVE AFTER APRIL 3, 2020	\$644,924
USE OF ADMINISTRATIVE LEAVE BY PUBLIC SAFETY EMPLOYEES	\$686,281
TOTAL	\$1,743,506

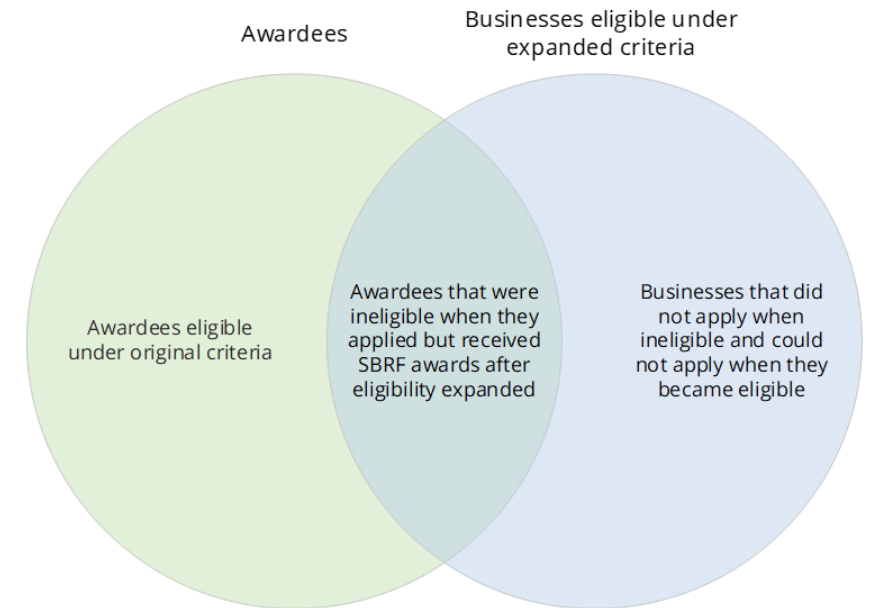
- We issued an early communication to management of these expenses, and the City took corrective action.

Finding 4: The Emergency Rental Assistance Program did not have sufficient documentation by San Diego Housing Commission staff to verify income eligibility and economic hardship.

- ERAP required that all household income be below 60 percent of the area median income based on the household size, and applicants needed to show that they experienced a financial loss due to COVID-19.
- We found that for 29 percent of applicants awarded emergency rental assistance (68 of 235 in our sample), there were residents on the lease who did not disclose any income information.
- We also found that 11 percent of awarded applications (27 out of 235 in our sample) did not have complete hardship documentation to demonstrate that the applicant experienced a financial loss due to COVID-19.

Lessons Learned: When the City allocated CRF funding to the Small Business Relief Fund Program, program eligibility expanded but the City did not solicit new applications and no longer required formal documentation of number of employees.

- The Small Business Relief Fund initially used CDBG funds and eligibility criteria.
- The City allocated \$12.8 million in CRF money to the program, which did not have as restrictive eligibility criteria.
- Businesses that did not apply initially because they were ineligible under the old criteria did not have an opportunity to apply when they became eligible.
- EDD relied on self-certification of businesses' number of full-time employees, which directly correlated with the size of the CRF-funded SBRF award



Recommendations

- We made four recommendations to:
 - Formally document procedures for documenting, reviewing, and submitting disaster-related costs.
 - Determine if the City should seek a refund of overpayments for portable showers.
 - Bring two identified contracts to Council for approval.
 - Update SDHC's procedure manual to improve documentation of all household income for the Housing Stability Assistance Program.
- Additionally, the City took corrective action on leave expenses identified in an early communication to management.
- We also identified the following lessons learned from the Small Business Relief Fund
 - Reopen the applicant pool if eligibility expands
 - Require documentation of employees
- The City and SDHC agreed to implement all our recommendations.

Thank you.

- We request the Audit Committee accept the report and forward to City Council.